

Providing innovative seismic solutions to the exploration industry by utilizing leading edge geophysical technologies



SYNER-SEIS Technologies

innovation

S/T/I

Corporate Targets

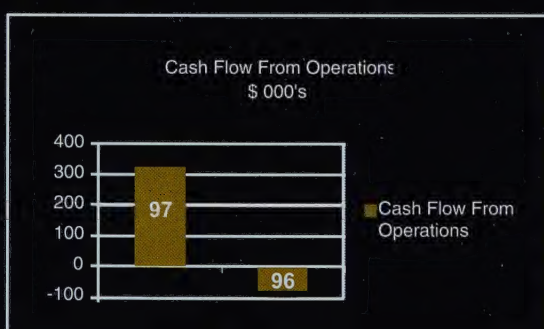
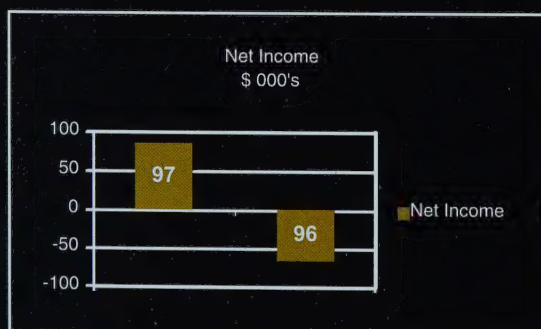
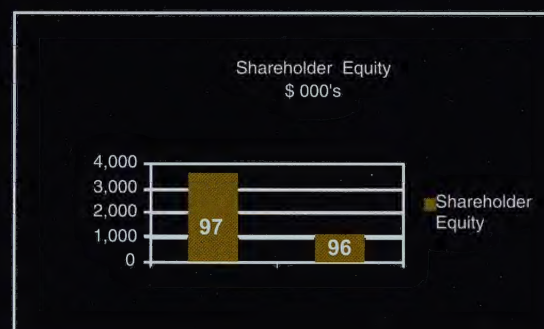
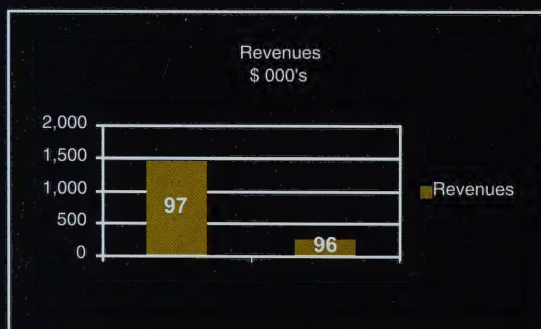
Expand our market share in the domestic seismic processing industry to the level where SYNER-SEIS becomes a significant player in the local market. This will be achieved through acquisitions and expansion of operations.

Expand our service operations to provide seismic data management and archiving.

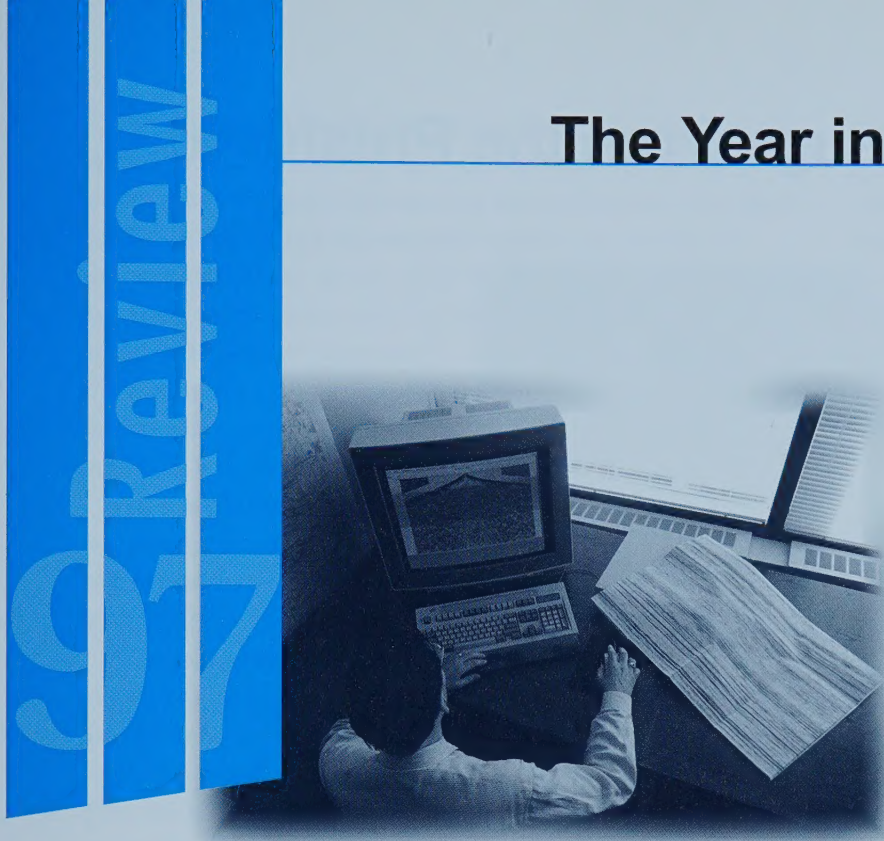
Capitalize on our existing business agreements and commence cross-marketing and sales of our innovative software technologies as add-on products to third party systems worldwide.

Provide field processing systems and services worldwide as add-on services to major field services companies.

Financial Highlights



The Year in Review



Sept. 1, 1996 SYNER-SEIS Technologies Inc. purchases 100% of the issued and outstanding shares of First Breaks Statics Inc., a privately-held seismic service company specializing in front-end seismic processing.

March 1, 1997 SYNER-SEIS completes a \$1.1M Private placement at \$1.25 per share.

April 11, 1997 SYNER-SEIS completes its Initial Public Offering (IPO) consisting of 1,100,000 units. Each unit was comprised of one common share at \$.50 and one warrant to purchase common shares. Two warrants entitles the holder to acquire one additional share for a consideration of \$1.50.

May 21, 1997 SYNER-SEIS begins public trading on the Alberta Stock Exchange using stock symbol 'SYN'.

Nov. 8, 1997 SYNER-SEIS begins negotiations to acquire 100% of the issued and outstanding shares of Exploration Innovations Inc. and its sister company, EI Processing Inc.

Jan. 26, 1998 SYNER-SEIS announces formal closing of the acquisitions of Exploration Innovations Inc. and EI Processing Inc.

Feb. 23, 1998 SYNER-SEIS / (Exploration Innovations Inc.) announces the signing of a revenue-sharing agreement with Paradigm Geophysical (formerly CogniSeis). Paradigm is the leading provider of Seismic

Processing Workstations worldwide and also provides certain interpretation technologies,

March 15, 1998 Dimitris Agouridis, President and CEO, travels to Nova Scotia to investigate a possible establishment of a seismic service company to service the increased Eastern Canadian exploration activity in Hibernia and in Sable Island.

March 18, 1998 Dimitris Agouridis travels to Colombia and Venezuela to identify business opportunities and negotiate potential joint ventures with interested parties.

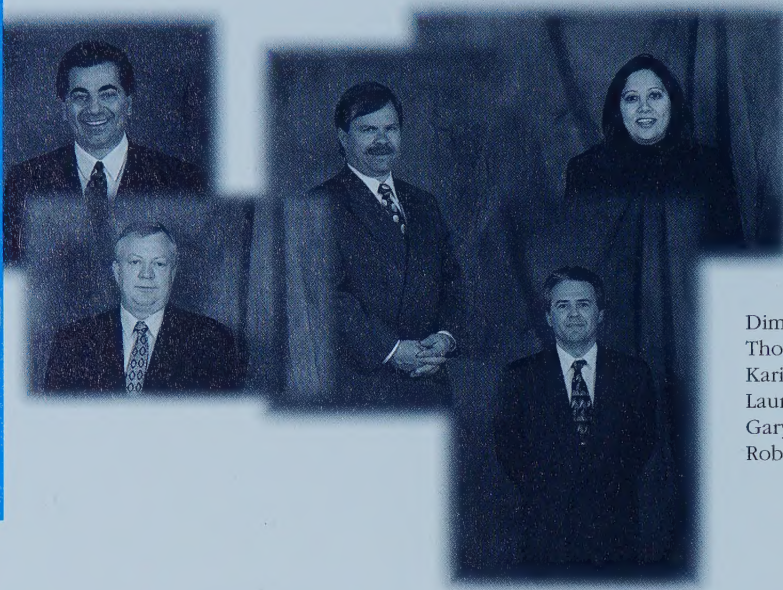
May 12, 1998 SYNER-SEIS/ (Explorations Innovations Inc.) signs a revenue-sharing agreement with Schlumberger./GeoQuest is a major provider of interpretation technology worldwide. Schlumberger is among the largest oil and gas service companies in the world.

May 14, 1998 SYNER-SEIS re-escrows a significant number of its common shares for an additional twelve months.

May 20, 1998 SYNER-SEIS releases and delivers its 1997 audited financial statements and its first Annual Report to shareholders.

June 26, 1998 SYNER-SEIS holds its first Annual General Meeting.

Message from the President



Dimitris Agouridis, President and CEO (top left)
Thomas E. Lewis, CA, Director (centre)
Karima Kara, CMA Secretary and Director (top right)
Laurie Wickwire, Director (bottom left)
Gary Baziuk, COO (bottom right)
Robert A. Halpin, Director (absent)

I wish to take this opportunity to express our gratitude and appreciation for your continuing support of SYNER-SEIS Technologies Inc. (STI) and to provide you with a brief synopsis of our first full year in operation.

I would describe our corporate performance in 1997 as both successful and growth oriented. We accomplished our long-awaited public listing on the Alberta Stock Exchange in May of 1997 and began implementing our innovative business model by acquiring First Breaks Statics Inc. (FBS) on August 31, 1996 and Exploration Innovations Inc. (EI) and EI Processing Inc. (EIP) on October 31, 1997.

FBS had annual revenues of \$560K at the time of acquisition and was purchased for \$300K in cash and \$200K in common shares. Since its acquisition, FBS's revenues have increased to \$1.14M with a 46% profit margin. STI recovered its initial cash investment within 12 months of the acquisition.

EI and EIP were acquired as of October 31, 1997 for the combined price of \$240K, comprised of \$140K in common shares (share price of \$2.75), \$25K in cash and the assumption of a \$75K loan. At the time of acquisition, the combined companies, annual revenues were approximately \$1.6M. These companies were acquired at a substantially lower cost than their fair market value as

we considered them to be turn-around opportunities. The corporation immediately commenced a corporate restructuring, securing employee stability and profitability by establishing a profit-sharing plan that has proven very successful.

EI's and EIP's pro-rated annual revenues have increased to \$2.2M, with EIP achieving record monthly revenues of \$160K to \$180K. STI expects to recover its initial cash investment within the next few months. EI and EIP provide STI with a tremendous hardware and software base for off-the-shelf seismic data processing, significant expansion capabilities and experienced technical personnel who can facilitate future growth.

Our corporate goals are as follows:

- Market high quality domestic seismic processing services
- Introduce our unique seismic software processing modules to the Calgary and international markets
- Initiate the development of international field processing services
- Market interactive workstations

The primary focus for our first year in operation was the development of a strong operational base in the highly competitive Calgary seismic processing market. The goal for this local market penetration is two-fold. Firstly, we want to develop a strong cash flow base and secondly, we wish to introduce our innovative software technology to an established clientele.

Initially, we are utilizing STI's proprietary technology within our own service companies to introduce it to the oil and gas industry through existing clientele.

We are pleased to report that we have met and surpassed our first year objectives.

International marketing of these technological solutions is scheduled to commence late in 1998.

Marketing these solutions will be implemented via either stand-alone module marketing or as add-on products to existing dominant systems such as FOCUS and Green Mountain Statics. We have integrated three and plan to integrate four more of *OLYMPUS*'s seventeen modules into the Paradigm FOCUS / DISCO software technology currently used by EI Processing.

This integration will not only provide a production oriented demonstration opportunity for STI's research and development team but will enhance the services and products available to our clients. The modules have already been introduced to and approved by EIP's clients and are included (via Paradigm's FOCUS) in EIP's streamlined processing system. Successful integration of three of the *OLYMPUS* modules has also occurred within the framework of FBS and its Green Mountain Geophysical software.

These demonstrations are necessary precursors to directly marketing the *OLYMPUS* seismic processing system and/or modules to the oil and gas industry at large. The module integrations have been proven to increase the efficiency of third party software systems and to provide our clients with enhanced results.

Sales of these modules will begin as add-on specialized solutions for Paradigm's FOCUS and Green Mountain Statics. This should lead to creative strategic relationships with dominant players in the international oil and gas markets, avoiding head-on competition and high costs and resulting in faster international market penetration. We have already established business relationships that, in our opinion, can be expanded to produce impressive marketing results. During this coming

year, we are also planning to commence field processing operations on an international scale. We have identified Latin America as our primary target for international expansion and active market research is ongoing in Bolivia, Colombia and Venezuela. STI is also actively investigating the growing market opportunities created by increased offshore activity in Eastern Canada.

Our corporate growth model has been designed based on service company acquisition and technological strategic alliances targeting an expanded market share in the oil and gas industry. Such acquisitions can be achieved using our strong cash position or shares at the company's discretion. We will continue to pursue other complementary acquisitions within the seismic service sector including a seismic data management and archiving company which will allow us to provide a broader spectrum of integrated seismic services to the oil and gas exploration industry.

In 1997, we experienced dramatic increases in shareholder equity and revenues. We reached annual revenues of approximately \$1.45 million, which represents over 500% growth in revenues over 1996. Our net shareholder equity increased by 212%, from \$1.16M to \$3.63M. Within the next eighteen months, STI plans to expand its seismic service market share to the level that will establish us as a major 'player' in Calgary's dynamic and competitive seismic processing market.

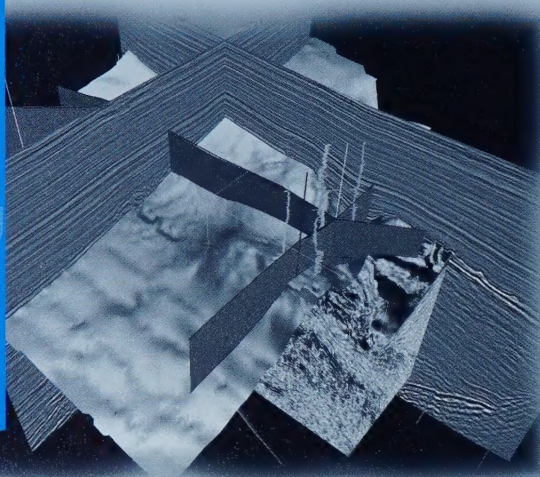
In closing, we are well on our way to the successful completion of our initial objectives and the prospects for future growth and diversification are significant. I sincerely believe that our future corporate growth will evolve from the strength and quality of our people and products, from our commitment to superior service and from the fostering of an environment that encourages and rewards excellence.

Sincerely,



Dimitris Agouridis, President
SYNER-SEIS Technologies Inc.

The Industry



INDUSTRY OVERVIEW

Geophysics in general and seismic methods in particular play a fundamental role in oil and natural gas exploration. Ultimately, the decision to invest millions of dollars in drilling and in the acquisition of exploration rights is directly tied to the results of seismic data processing and interpretation. The prospects of massive losses or tremendous rewards have motivated the petroleum industry to pursue innovative ideas to improve the odds of finding oil and gas.

Seismic activity in Canada is directly dependent upon the upstream sector of the petroleum industry. Exploration activity includes geological and geophysical services, drilling and land acquisition. Development activity involves drilling, expenditures on field equipment, secondary recovery and pressure maintenance and construction and operation of natural gas plants.

With over 800 companies, Calgary is home to the largest concentration of Canadian oil and gas exploration companies in the world.

INDUSTRY TRENDS

Oil and gas exploration continues to increase in Western Canada, in offshore Eastern Canada and internationally, fuelled by the increased demand for petroleum products, stable commodity prices and

increased privatization by national oil companies. The need for "western" technology and know-how in international exploration and production has encouraged the expansion of Canadian oil and gas companies in international concessions.

Doig's Digest (Calgary) reported that 30 Canadian oil exploration and production companies were active in international operations in 1996, an increase of 50% from 1995. These companies spent a total of \$1.7 billion in 1996 representing 10% of the industry's total capital expenditure of \$16.7 billion in 1996.

Calgary, Alberta along with Texas and the UK are the premier centres worldwide for geophysical innovations incorporating advanced seismic system technologies.

Major innovations in the past decade include technologies that produce 2-D and 3-D images in high-speed and sophisticated data processing through interpretation. Although 3-D data is more commonly used in existing production areas, 2-D data remains prevalent due to lower cost and high usage in frontier exploration including the reprocessing of existing data.

The emergence of enhanced geophysical technologies has fostered the outsourcing of specialized seismic processing services by oil and gas exploration and data acquisition companies worldwide.

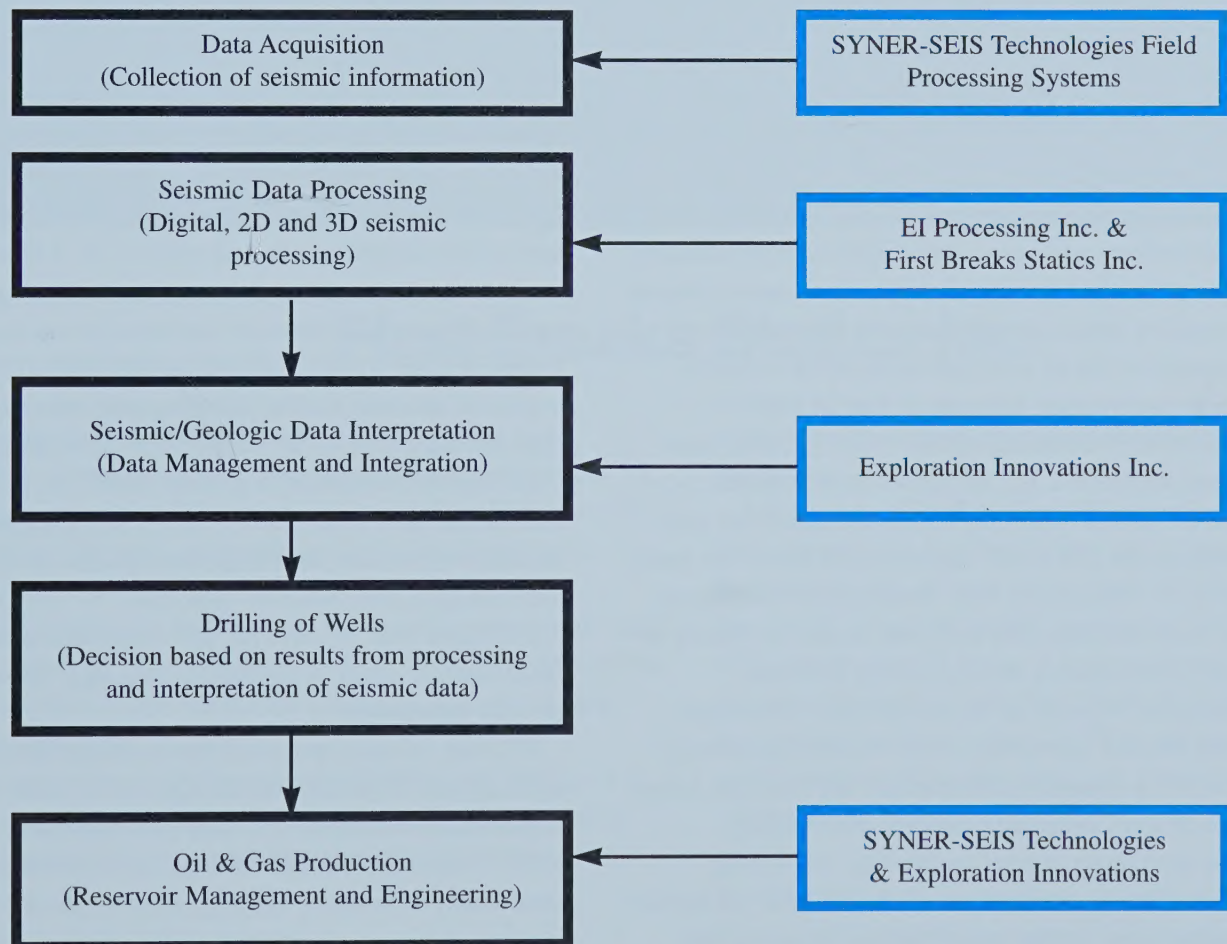
COMPETITIVE ENVIRONMENT

The seismic service and supply industry in North America is composed of a select group of large integrated companies and a variety of small to mid-sized niche-oriented operations. Although a number of smaller organizations have successfully entered the international marketplace, the large integrated energy service/supply companies (including Schlumberger, Western Atlas, Veritas, Landmark and CogniSeis) remain dominant in key international market locations.

STI'S POSITION WITHIN THE INDUSTRY

SYNER-SEIS is an oil & gas technology company which utilizes its proprietary geophysical software to deliver innovative seismic data processing and interpretation products and services to expanding niche markets in the oil & gas exploration industry. STI's own proprietary workstation product for desktop seismic data processing, *OLYMPUS*, includes 17 stand-alone seismic data processing modules. STI has selected a growth model which involves the acquisition of companies that can use the *OLYMPUS* system as a whole or portions thereof. STI has already established a strong presence in the oil and gas industry through its acquisitions and is looking into further expansion of its market share.

Exploration Industry Activity Flow



Corporate Profiles



SYNER-SEIS Technologies Inc.

SYNER-SEIS Technologies Inc. ("STI") is a technology company which utilizes its proprietary geophysical software to deliver innovative seismic data processing products and services to expanding niche markets in the oil and gas exploration industry.

STI's core technology consists of the *OLYMPUS* desktop seismic processing system that operates on a UNIX based and/or PC NT Windows workstations.

Our client's interpretation of final processed two and three-dimensional (2-D/3-D) seismic data forms the basis of exploration, drilling and field development decisions.

Rather than marketing its software products directly to the industry, STI utilizes its technology in-house, capitalizing and expanding its competitive advantage through its service operations. The resulting sustained cash flow and increased profit margin will facilitate future expansion of the Company's seismic processing operations and international technology marketing.

The technological advantages of the *OLYMPUS* system have created new market opportunities including the emerging market for *in-field seismic processing* performed during the seismic survey (or data acquisition) stage. Through the use of STI's technology and field operators,

subsurface information gathered during the seismic acquisition stage can now be viewed on a timely basis by designated field staff and the exploration company's geophysicist, regardless of how remote the location. Timely access to this subsurface information dramatically improves seismic survey planning and represents a huge cost-saving potential for exploration companies.

STI has implemented a growth model via acquisition of companies with solid market share and excellent industry reputation that can capitalize and expand on STI's technologies and financial strength.

STI has a staff of nine (9) and maintains a very strong R&D team in order to provide technology and support its service companies.

STI has, to date, acquired three wholly-owned subsidiaries, First Breaks Statics Inc. in 1996 and Exploration innovation Inc. and EI Processing Inc. in late 1997. Future growth will continue to be based on the acquisition of industry leading seismic service companies in North America, oriented towards achieving sufficient critical mass to launch international expansion and market diversification.



First Breaks Statics Inc.

First Breaks Statics Inc. ("FBS"), STI's first acquisition, is a front-end seismic processing specialist that has been successful in carving its niche in Calgary's competitive Oil & Gas Supply and Services market.

Succeeding on the basis of the quality, speed and cost-effectiveness of its products and services, FBS enjoys the patronage of such corporate giants as Amoco Canada and Chevron.

Acquired as a wholly-owned subsidiary in 1996 by STI, FBS continues to operate independently while reaping the benefits of increased financial and marketing

resources for expansion into national and international markets.

FBS has a staff of twelve (12) seismic processors, all well trained and qualified in the use of geophysical technology and all capable of providing their clients with the timely, accurate results demanded by the industry. STI's integration of three of its proprietary seismic data processing modules into the Green Mountain Statics processing package, used by FBS, will result in the enhancement of the services and products FBS offers its clientele.



Exploration Innovations Inc.

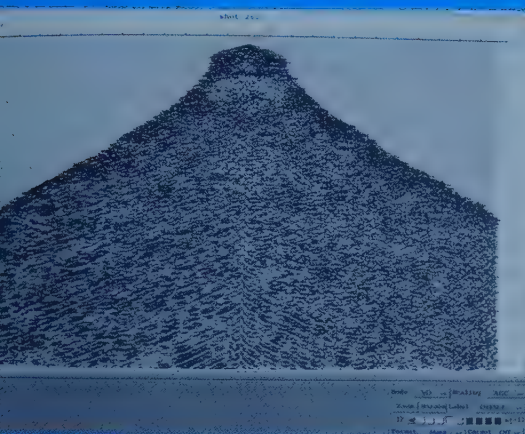
Exploration Innovations Inc. ("EI") with a staff of six (6), became a wholly-owned subsidiary in the fourth quarter of 1997. EI is a geophysical service company which contributes to the drilling success of its clients by using the latest technologies, a dynamic team environment and innovative ideas.

Initially incorporated in 1987 to offer workstation rentals, EI has expanded its product line to include geophysical, geological and production modeling services, as well as training, mapping and system support solutions through a "one stop shop" technology boutique.

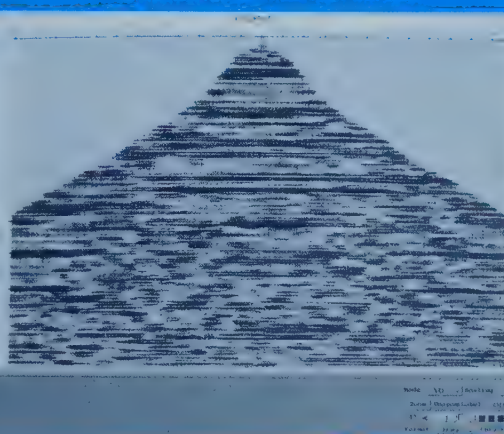
EI provides seismic interpretation and modeling technologies to the oil and gas industry. Business alliances with GeoQuest, Paradigm Geophysical and Silicon Graphics Cray Research, as well as licensed software from Landmark, Larson, Green Mountain and Panther, enable Exploration Innovations Inc. to provide complete exploration production applications and data management services.

Clients visit the Exploration Innovations offices on a daily basis in order to utilize state of the art technologies and interpret their seismic data on an hourly basis.

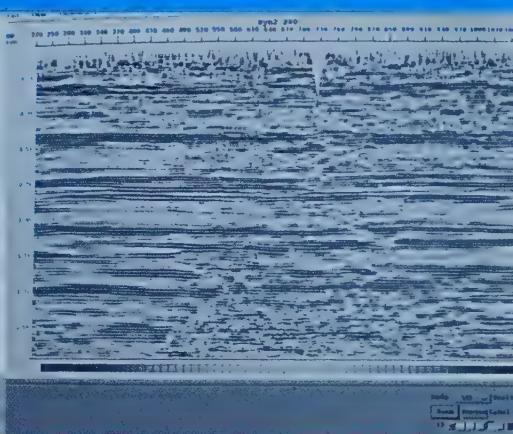
Raw Data



Processed Data



Interpretable Final Stack



El Processing Inc.

El Processing Inc. ("EIP") with a staff of eight (8), was acquired with EI as a wholly-owned subsidiary in the fourth quarter of 1997. EIP has been offering 2-D and 3-D pre-stack and post-stack seismic data processing to the oil & gas exploration industry since 1992. EIP provides state-of-the-art seismic solutions to the oil and gas industry.

Succeeding on the basis of attention to detail, client interaction and timely turn-around, EIP has continued to attract new clientele due to industry's recognition of excellence in both processing personnel and results.

EIP utilizes the Paradigm Geophysical (CogniSeis) FOCUS/DISCO processing package for both 2-D and 3-D processing and has also provided a production-oriented demonstration opportunity for STI Technologies R & D developments. STI's integration of three of its proprietary seismic data processing modules into Paradigm's FOCUS/DISCO processing package will enhance the EIP services and products provided to the oil and gas industry.

Corporate Synopsis

With the completion of these acquisitions, STI has become a fully integrated oil & gas seismic processing company with in depth expertise in all aspects of processing and interpretation services including: Data preparation and preprocessing, Front End Data Processing, two and three dimensional (2-D/3-D) Seismic Data Processing, Data Loading, Geological Data Analysis, Seismic and Geological Data

Mapping, Reservoir Modeling, Data Reformatting, 2-D Seismic Data Modeling, Amplitude vs. Offset Analysis and Inversion Services.

STI has managed to capture a significant market share within a very short time through its acquisitions and to expand that market share dramatically using its financial strength, integrated cross-marketing of services, technology and strong corporate profile.

1997 Management Discussion and Analysis of Results and Operations

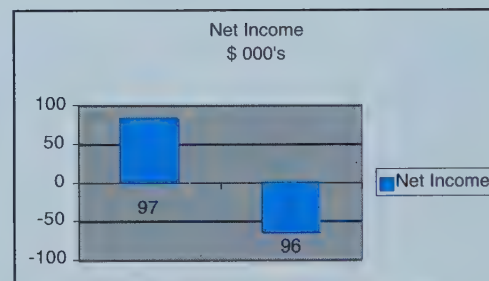
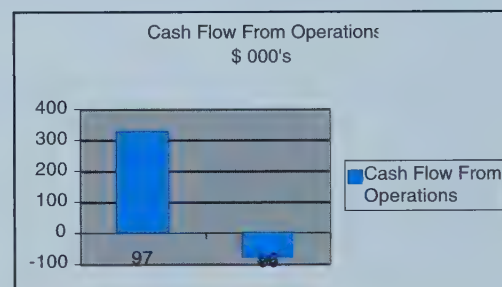
(Comparison of the 12 months ending December 31, 1997 and 1996)



RESULTS OF OPERATION

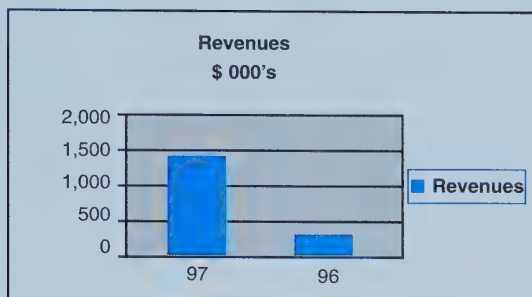
Year Ending December 31,
(thousands of dollars)

	1997	1996	Change
Revenues:			
Processing & Interpretation	1,416.5	234.5	504%
Interest	40.1	3.9	928%
Total Revenue	1,456.6	238.4	511%
Expenses:			
Operating	1,132.0	317.8	256%
Cash Flow From Operations	324.6	(79.4)	509%
Amortization	136.9	26.7	413%
Deferred Income tax	105.9	(40.5)	361%
Net Income	81.8	(65.6)	225%



Net income for the year ending December 31, 1997 increased 225% to \$81,800 compared to the same period in 1996 with a net loss of (\$65,520). Cash flow from operations for 1997 increased 509% to \$324,589 compared to a decrease in cash flow from operations of (\$79,408) in 1996. An analysis of the Company's operating results are as follows:

REVENUES



Revenues for the year ending December 31, 1997 increased 511% to \$1,456,554, as compared to the same period in 1996. The increase was primarily from increased processing revenue with First Break Statics (FBS) accounting for \$1,142,254 or 78 % of processing sales. Exploration Innovation Inc.(EI) and EI Processing Inc.(EIP) acquisitions on October 31, 1997, or the last two months of the year, accounted for 22% of sales.

EXPENSES

Total operating expenses for 1997 increased 256% to \$1,131,965, as compared to the same period in 1996. Most of the costs increased as a result of increased operations; however, there was a one-time cost of \$51,000 related to the private financing and the Initial Public Offering.

FINANCING

The major requirement of capital was related to the process of going public and the provision of sufficient cash flow to finance the acquisitions and the working capital required to grow the companies acquired.. The acquisitions were in line with the Company's strategy to provide for constant cash flow to start marketing our technology , thus reducing the requirement to raise additional financing and reducing the dilution to our shareholders.

Prior to going public on May 21, 1997, the Company solicited several private placements. In 1996, the Company raised \$897,653 in cash. Out of these funds, a total of \$300,000 was used as the cash component in the \$500,000 purchase of the First Breaks Statics. The additional amount of \$200,000 was financed via Company's shares of \$0.50/share. The other major usage of cash consisted of issuance costs, purchase of capital assets, research & development costs and working capital requirement for FBS to ensure its expansion. The

resulting expansion increased FBS revenues to \$1,142,242. The Company recovered all its cash position on this first deal within the first 12 months of the acquisition.

In 1997 STI raised \$2,057,221 in cash. Some of the major costs requiring cash were issuance cost, purchase of capital assets, research & development costs and working capital requirement for EI and EIP.

On October 31, 1997, the corporation entered into an agreement to purchase all of the assets of EI and EIP for the total amount of \$240,000, out of which \$25,000 was in cash, \$75,000 was the assumption of a private loan of and the remainder, through 50,900 shares at the price of \$2.75 per share. The companies were severely underfinanced and STI's strong financial position provided a much-needed relief. Since the acquisition, EIP revenues have increased. We are expecting our purchase price and acquisition costs to be recovered within the next twelve months.

The Corporation's growth model for EIP includes establishing a specialized processing group that will provide solutions for difficult data cases. This group will use the OLYMPUS technology extensively, together with its other technologies.

EI and EIP provide STI with significant expansion potential due to their underutilized assets.

The combined revenues of both companies prior to the acquisition were \$1,600,000. STI projects the combined revenues for 1998 to increase 37% to \$2,200,000.

Upon the acquisition, the corporation undertook a corporate restructuring initiative that secured employee stability and ensured company profitability. This restructuring initiative included a profit-sharing plan which employees have found to be highly motivating.

LOOKING FORWARD TO 1998

In the first quarter ending March 31, 1998, our revenues from processing and interpretation increased 203% to approximately \$945,000 from \$312,000 in the same period in 1997.

In 1998, we expect, based on current operations, to achieve the following: combined revenues to increase by 148% to \$3,600,000; cash flow from operations to increase 162% to \$850,000; and net income to increase 358% to \$375,000. We will continue to focus on acquiring new companies and to target wider integration and sales of our technology.

The Year 2000



In 1998, the Toronto Stock Exchange instituted a requirement that all TSE-listed companies address the operational effect of the 'Millennium Bug' in their Annual Reports. While the Alberta Stock Exchange has not instituted a similar directive for ASE-listed companies such as SYNER-SEIS, our management has resolved to analyze our Y2K position due to our significant reliance on both proprietary technologies and licensed software systems for the generation of revenues.

The "Millennium Bug" refers to a simple supposition by early software developers to imply the '19' prefix on any year date, thus saving two data spaces (precious storage space amidst early computing) with each date entry. The SYNER-SEIS Group of Companies, comprised of SYNER-SEIS Technologies Inc., Exploration Innovations Inc., EI Processing Inc. and First Breaks Statics Inc. are dependent on a diverse collection of hardware platforms, operating systems, commercial third-party applications and in-house custom development software. Therefore any and all facets of our operation could be affected. We expect these effects will be more dramatic in the administration and management software packages

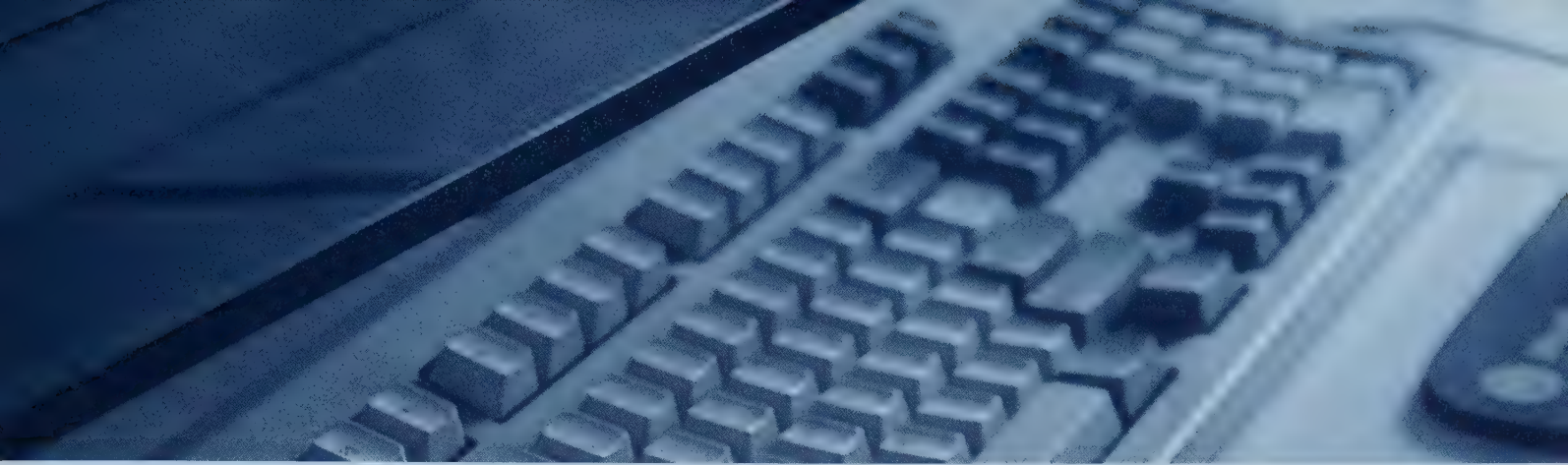
we use as we have limited control on these products.

The SYNER-SEIS group's business almost exclusively provides services to clients based on earth sciences data. While the client's data is based on geologic time, any calculations or processing of that data is based on scientific calculations on coordinate data from three dimensions with respect to velocities and *real time*, **not calendar date**. The added cultural map features, say of a well borehole date label without a 19 prefix, may be annoying; however, it will not cause system malfunctions or cause seismic data or geologic data to be invalid or incorrect.

SYNER-SEIS TECHNOLOGIES INC.

The software research and development function of STI will be affected by Y2K in two ways:

1. The operating systems of our development and application machines recognize the year 2000 as 1970. While this is inconvenient for the development process, it does not affect the functionality of our products. Our solution for this problem is to upgrade our operating system to a newer version that is Y2K compliant.



2. We use a time-based licensing protection where our software is set to expire on a predetermined date. As all current licenses expire prior to the year 2000, this does not represent an immediate problem. However, a new licensing system must be developed for licenses beyond the year 2000.

FIRST BREAKS STATICS INC.

The Millennium Bug will not effect the operational effectiveness of First Breaks Statics for the following reasons:

1. Any required seismic processing operations need not be date-specific and
2. All proprietary software has been developed to recognize a four-digit year date.

FBS has, however, proceeded in the purchase of all the source codes from third-party software products as a protection measure for self-reliance and SYNER-SEIS is ready to address the issue itself if the third-party developer does not comply.

EXPLORATION INNOVATIONS INC. and EI PROCESSING INC.

Exploration Innovations and EI Processing's day-to-day operations, services to clients and workstation rentals are solely based on and supported by hardware platforms, operating systems, and commercial third party applications.

These technologies are standardized and come from large corporations (with huge resources and budgets)

who remain committed to resolving the Y2K issue before it can become a problem. Solutions to Y2K continue to pour forth from vendors and we are monitoring their performance on this subject closely.

SYNER-SEIS Technologies has already proceeded into purchasing the source code of the most significant software vendor for EIP's operations.

Possibly our largest Y2K challenge will be centered around business accounting of our operations. Although this area may become the largest concern we do not expect it to have any effect on the day-to-day ability of SYNER-SEIS to carry on its business. A task force is being assembled within the SYNER-SEIS group to identify and report on the impact of all potential date problems within our accounting data and related applications.

SYNER-SEIS Technologies will attempt to minimize the impacts of Y2K by carefully screening its software and business services suppliers for compliance on all facets of their operations. Suppliers who do not demonstrate an effort to adapt will be excluded from our future operations.

A detailed paper record of all aspects of our operation is currently being maintained, including all aspects of our public share structure and financial transactions. An investment plan is currently being developed to diversify our cash position, in the short term, away from banks and investment funds in order to prevent the possibility of financial collapse.

In closing, given the support and cooperation of our major suppliers, we view the Y2K challenge as serious but not likely to affect the ability of the SYNER-SEIS Group of Companies to continue normal operations.

Auditors Report

TO THE SHAREHOLDERS OF SYNER-SEIS TECHNOLOGIES INC.

We have audited the consolidated balance sheets of **Syner-Seis Technologies Inc.** as at December 31, 1997 and 1996 and the consolidated statements of income and retained earnings and cash flow for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1997 and 1996 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Calgary, Alberta
April 25, 1998



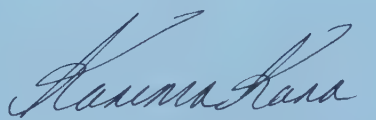
CHARTERED ACCOUNTANTS

**CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31**

		<u>1997</u>	<u>1996</u>
<u>ASSETS</u>			
CURRENT			
Cash		\$ 1,494,452	133,576
Accounts receivable		595,935	124,694
Notes receivable	(Note 6)	220,000	-
Prepays		<u>28,777</u>	<u>1,670</u>
		2,339,164	259,940
DEFERRED DEVELOPMENT COSTS		1,234,072	1,071,746
CAPITAL	(Note 7)	707,146	104,857
OTHER	(Note 8)	<u>662,097</u>	<u>469,542</u>
		\$ <u>4,942,479</u>	<u>1,906,085</u>
<u>LIABILITIES</u>			
CURRENT			
Revolving line of credit	(Note 9)	\$ 120,000	-
Accounts payable		481,092	117,523
Royalties payable		20,133	4,698
Due to shareholder		-	102,340
Income taxes		9,986	11,761
Current portion of long term debt		<u>180,144</u>	<u>-</u>
		811,355	236,322
LEASE INDUCEMENT		16,100	-
LONG TERM DEBT	(Note 10)	209,962	-
DEFERRED INCOME TAXES		270,202	261,922
DEPOSITS	(Note 11)	<u>-</u>	<u>242,552</u>
		1,307,619	740,796
<u>SHAREHOLDERS' EQUITY</u>			
SHARE CAPITAL	(Note 12)	3,618,580	1,230,809
RETAINED EARNINGS (DEFICIT)		<u>16,280</u>	<u>(65,520)</u>
		3,634,860	1,165,289
		\$ <u>4,942,479</u>	<u>1,906,085</u>

Approved on behalf of the Board:


Dimitris Agouridis, Director


Karima Kara, Director

**CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31**

	<u>1997</u>	<u>1996</u>
REVENUE		
Processing and interpretation	\$ 1,416,494	234,548
Interest income	<u>40,060</u>	<u>3,948</u>
	<u>1,456,554</u>	<u>238,496</u>
EXPENSES		
Salaries	647,163	131,967
General and administrative	408,170	170,691
Royalties	71,947	15,246
Interest on long-term debt	4,685	-
Amortization	<u>136,856</u>	<u>26,657</u>
	<u>1,268,821</u>	<u>344,561</u>
INCOME (LOSS) BEFORE INCOME TAXES	187,733	(106,065)
(DEFERRED INCOME TAX) RECOVERY	(Note 13) <u>105,933</u>	<u>40,545</u>
NET INCOME (LOSS) FOR THE YEAR	81,800	(65,520)
DEFICIT AT BEGINNING OF YEAR	<u>(65,520)</u>	<u>-</u>
RETAINED EARNINGS (DEFICIT) AT END OF YEAR	\$ <u><u>16,280</u></u>	<u><u>(65,520)</u></u>
NET INCOME (LOSS) PER SHARE	\$ <u><u>0.01</u></u>	<u><u>(0.01)</u></u>

**CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31**

	<u>1997</u>	<u>1996</u>
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net income (loss) for the year	\$ 81,800	(65,520)
Add items not involving a current cash outlay		
Amortization	136,856	26,657
Deferred income tax (recovery)	<u>105,933</u>	<u>(40,545)</u>
Cash flow from operations	324,589	(79,408)
Net change in working capital balances related to operating activities	<u>(211,087)</u>	<u>(68,552)</u>
	<u>113,502</u>	<u>(147,960)</u>
FINANCING ACTIVITIES		
Proceeds on issue of common shares	2,057,221	402,061
Share issue costs	(147,996)	(141,838)
Proceeds from long-term debt	62,089	-
Repayment of long-term debt	(18,901)	-
Issue of shares on acquisition of subsidiaries	140,000	200,000
Deposits for shares to be issued	-	242,552
Proceeds on issue of special warrants	30,000	253,040
(Repayment) advances from shareholder	(102,340)	102,340
Issue of shares on acquisition of geophysical software	<u>-</u>	<u>454,287</u>
	<u>2,020,073</u>	<u>1,512,442</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(151,654)	(41,521)
Deferred development costs net of deferred taxes of \$nil (1996 - \$365,727)	(162,326)	(706,019)
Deferred costs	(32,685)	-
Notes receivable issued	(220,000)	-
Net assets acquired on acquisition of subsidiary	<u>(326,034)</u>	<u>(483,366)</u>
	<u>(892,699)</u>	<u>(1,230,906)</u>
INCREASE IN CASH	1,240,876	133,576
CASH AT BEGINNING OF YEAR	<u>133,576</u>	<u>-</u>
CASH AT END OF YEAR	\$ <u>1,374,452</u>	<u>133,576</u>
CASH FLOW PER SHARE FROM OPERATIONS	\$ <u>0.04</u>	<u>(0.02)</u>
CASH COMPRISED OF:		
Cash	\$ 1,494,452	133,576
Revolving line of credit	<u>(120,000)</u>	<u>-</u>
	\$ <u>1,374,452</u>	<u>133,576</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1997 AND 1996**

NOTE 1 NATURE OF BUSINESS

The Company was incorporated under the Business Corporation Act (Alberta) on January 8, 1996. The business of the Company is to develop and market seismic data processing services and products to the domestic and international oil and gas industry as well as the data acquisition and data processing industries. The Company's shares were listed on The Alberta Stock Exchange on May 21, 1997.

NOTE 2 BASIS OF CONSOLIDATION

These financial statements include the operations of Syner-Seis Technologies Inc. and its wholly owned subsidiaries 593842 Alberta Ltd., and First Breaks Statics Inc. from the date of acquisition August 31, 1996 and 400444 Alberta Ltd., Exploration Innovations Inc. and El Processing Inc. from the date of acquisition, October 31, 1997.

NOTE 3 MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

NOTE 4 SIGNIFICANT ACCOUNTING POLICIESCapital Assets

Capital assets are stated at cost less amortization on the declining balance basis at the following annual rates:

Furniture and fixtures	20%
Computer equipment	30%
Computer software	30%

Deferred Development Costs

Deferred development costs relate to the acquisition and development of geophysical software which in management's opinion has a clearly defined future market. These costs include related remuneration, computer equipment and other expenditures. The company will commence amortization of these expenses when future revenues are generated from the software use.

The Company is in the process of applying for research and development investment tax credits based on management's best estimate of qualifying expenditures. Revenue Canada is assessing the claim and as a result, no adjustment for investment tax credits will be made until the claim has been accepted.

Research costs are expensed as incurred.

Goodwill

Goodwill consists of excess of amounts paid over the net assets of business acquisitions, and is stated at cost. Amortization is charged at 10% per annum on the straight line basis.

Deferred Costs

Deferred costs relate to the possible acquisition of a company. On closing, these costs will form part of the cost of acquiring the company or will be written off if the acquisition plan is abandoned.

NOTE 5 ACQUISITION OF SUBSIDIARIES

Syner-Seis Technologies Inc. acquired all the issued and outstanding shares of its subsidiaries as follows:

593842 Alberta Inc. and its wholly owned subsidiary First Breaks Statics Inc., a group of companies involved in the processing of seismic data, effective August 31, 1996.

400444 Alberta Ltd., Exploration Innovations Inc. and EI Processing Inc., a group of companies involved in the interpretation and processing of seismic data, effective October 31, 1997.

The results of operations of these subsidiaries have been included in the financial statements since the date of acquisition and the transactions have been accounted for using the purchase method.

A summary of the fair market value of net assets acquired and consideration given is as follows:

	<u>1997</u>	<u>1996</u>
Cash	\$ -	16,634
Other current assets	343,913	107,950
Capital and other assets	569,631	92,319
Goodwill	<u>209,385</u>	<u>467,217</u>
	1,122,929	684,120
 Bank indebtedness	 120,838	 -
Current liabilities	433,877	184,120
Long-term debt	<u>298,018</u>	<u>-</u>
 NET ASSETS ACQUIRED	 \$ <u>270,196</u>	 <u>500,000</u>
 CONSIDERATION GIVEN		
Cash	25,000	300,000
Shares	140,000	200,000
Assumption of private loan	75,000	-
Acquisition costs	<u>30,196</u>	<u>-</u>
	\$ <u>270,196</u>	<u>500,000</u>

Under the terms of the agreement for the acquisition of 400444 Alberta Ltd., Exploration Innovations Inc., and EI Processing Inc., further consideration totalling \$75,000 is payable by the issue of 27,273 shares at a price of \$2.75 on achievement of certain sales targets in each of the next two years. The number of shares will be adjusted by one share for each \$32 that sales are below the target.

NOTE 6 NOTES RECEIVABLE

	<u>1997</u>	<u>1996</u>
Note receivable bearing interest at 8% per annum, due November 17, 1998 and secured by 130,000 shares of the Company	\$ 200,000	-
 Note receivable, unsecured, non-interest bearing due on demand.	 <u>20,000</u>	 <u>-</u>
	\$ <u>220,000</u>	<u>-</u>

NOTE 7 CAPITAL ASSETS

	Cost	1997 Accumulated Amortization	Net Book Value	1996 Net Book Value
Computer equipment under capital lease	\$ 61,989	9,213	52,776	-
Furniture and fixtures	89,493	55,261	34,232	3,022
Computer equipment	543,157	155,061	388,096	76,472
Computer software	<u>308,641</u>	<u>76,599</u>	<u>232,042</u>	<u>25,363</u>
	\$ <u>1,003,280</u>	<u>296,134</u>	<u>707,146</u>	<u>104,857</u>

NOTE 8 OTHER ASSETS

	Cost	1997 Accumulated Amortization	Net Book Value	1996 Net Book Value
Goodwill	\$ 676,602	65,090	611,512	451,642
Other	17,900	-	17,900	17,900
Deferred costs	<u>32,685</u>	<u>-</u>	<u>32,685</u>	<u>-</u>
	\$ <u>727,187</u>	<u>65,090</u>	<u>662,097</u>	<u>469,542</u>

NOTE 9 REVOLVING LINE OF CREDIT

The revolving line of credit has a maximum of \$200,000, bears interest at prime plus 1.25% per annum and is secured by a general security agreement covering the assets of Exploration Innovations Inc. and El Processing Inc.

NOTE 10 LONG TERM DEBT

	<u>1997</u>	<u>1996</u>
IBM Quick lease payable in monthly instalments of \$1,613 including interest at approximately 7.7% per annum maturing July 2001 and secured by computer hardware.	\$60,678	-
Demand term bank loans payable in monthly instalments of \$8,745 plus interest ranging from prime plus 1 1/2 - 2% per annum secured by a general security agreement covering the assets of El Processing Inc. and Exploration Innovations Inc.	264,428	-
Private loan payable in monthly instalments of \$5,000 plus 8% interest per annum commencing March 15, 1998 secured by a promissory note and second general security agreement covering the assets of El Processing and Exploration Innovation Inc.	<u>65,000</u>	<u>-</u>
	390,106	-
Less current portion	(180,144)	-
	\$ <u>209,962</u>	<u>-</u>

NOTE 10 LONG TERM DEBT (continued)

Principal payments over the next four years are as follows:

1998	\$ 180,144
1999	110,992
2000	84,361
2001	<u>14,609</u>
	\$ <u><u>390,106</u></u>

NOTE 11 DEPOSITS

At December 31, 1996 the company had received payment of \$242,552 for shares that were issued subsequent to year end as follows:

	<u>1997</u>	<u>1996</u>
154,041 Common shares at \$1.25	\$ -	\$ 192,552
25,000 Common shares at \$2.00	<u>-</u>	<u>50,000</u>
	\$ <u><u>-</u></u>	\$ <u><u>242,552</u></u>

NOTE 12 SHARE CAPITAL

a) Authorized

Unlimited number of voting common shares

Unlimited number of non-voting common shares

Unlimited number of preferred shares, issuable in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the share of each series

NOTE 12 SHARE CAPITAL (continued)

b) Issued

	1997		1996	
	Number of	\$	Number of	\$
	Shares		Shares	
Common Shares				
Balance at beginning of year	6,284,400	1,080,348	-	-
Issued for				
Cash	902,478	1,183,547	836,400	402,061
Exercise of special warrants	559,600	259,040	48,000	24,000
Exercise of Series A warrants	241,262	241,262	-	-
Exercise of Series B warrants	166,400	249,600	-	-
Exercise of options	150,666	75,334	-	-
Acquisition of geophysical software	-	-	5,000,000	454,287
Acquisition of subsidiaries	50,908	140,000	400,000	200,000
Initial public offering	<u>1,100,000</u>	<u>550,000</u>	<u>-</u>	<u>-</u>
	<u>9,455,714</u>	<u>3,779,131</u>	<u>6,284,400</u>	<u>1,080,348</u>
Special warrants				
Balance at beginning of year	499,600	229,040	-	-
Issued for cash	60,000	30,000	547,600	253,040
Converted to common shares	<u>(559,600)</u>	<u>(259,040)</u>	<u>(48,000)</u>	<u>(24,000)</u>
	<u>-</u>	<u>-</u>	<u>499,600</u>	<u>229,040</u>
Share issue costs	<u>-</u>	<u>(160,551)</u>	<u>-</u>	<u>(78,579)</u>
	<u>9,455,714</u>	<u>\$ 3,618,580</u>	<u>6,784,000</u>	<u>\$ 1,230,809</u>

Share issue costs are net of deferred taxes of \$129,253 (1996 - \$63,260).

As at December 31, 1996, 207,600 of the outstanding special warrants entitled the holder to acquire, at no further cost one common share and .75 series A warrants. The remaining 292,000 special warrants entitled the holder to acquire, at no further cost, one common share and one series A warrant.

c) Warrants

i) Series A

Each series A warrant was exercisable into one common share at a price of \$1.00 until May 31, 1997. At December 31, 1996, 48,000 series A warrants were outstanding. At the time of the initial public offering all special warrants were exercised resulting in an additional 507,700 series A warrants being issued. 241,262 of the 555,700 warrants were converted to common shares before the expiry date.

ii) Series B

The initial public offering of 1,100,000 units, consisted of 1 common share and 1 series B warrant. Two series B warrants are exercisable into one common share at a price of \$1.50 until May 12, 1998. At December 31, 1997, 767,200 series B warrants were outstanding.

NOTE 12 SHARE CAPITAL (continued)**d) Stock Options**

Commencing in 1997, the Company has a stock option plan under which the Board of Directors can grant options to purchase common shares to directors, officers, senior employees and consultants.

The Company has 900,000 stock options outstanding as follows:

	Number of Shares	Price Per Share	Expiration Date
Directors and Officers	623,334	\$ 0.50	May 12, 2002
Employees/Contractors	117,666	0.50	May 12, 2002
Employees	46,000	0.60	May 15, 2002
Contractors	30,000	0.75	May 15, 2002
Employees	15,000	2.33	November 17, 2002
Employees	4,000	2.05	December 1, 2002
Contractors	64,000	2.10	December 23, 2002

The Company also granted 110,000 options at \$0.50 to the agent at the time of the public offering. During the year, these options were exercised.

e) Escrowed Shares

Under the requirements of the Alberta Securities Commission and Alberta Stock Exchange, 4,750,000 common shares were held in escrow at December 31, 1997. On January 12, 1998, 500,000 of these shares were released. The remaining shares will be released as follows:

January 12, 1999	1,000,000
January 12, 2000	1,000,000
January 12, 2001	1,000,000
January 12, 2002	<u>1,250,000</u>
	<u>4,250,000</u>

f) Reserve for Shares

The Company has reserved 5,000,000 common shares with respects to the contingent consideration on the purchase of the geophysical software.

The Company has reserved 27,273 common shares with respect to the contingent consideration on the purchase of 400444 Alberta Ltd., Exploration Innovations Inc. and El Processing Inc.

NOTE 13 INCOME TAXES

The Company's effective tax rate is determined as follows:

	1997	1996
Basic rate applied to pre-tax income (loss)		
(44.6%)	\$ 83,700	(47,300)
Amortization of goodwill with no tax basis	22,100	7,000
Amortization of capital assets with no tax basis	2,500	-
Other	<u>(2,367)</u>	<u>(245)</u>
	\$ <u>105,933</u>	<u>(40,545)</u>

NOTE 14 RELATED PARTY TRANSACTIONS

- a) On April 1, 1996 certain geophysical software included in deferred development costs, was purchased from a company controlled by a director under Section 85(1) of the Income Tax by the issuance of 5,000,000 common shares. The technology has been recorded at the carrying value of the vendor net of related deferred income taxes as follows:

Geophysical software	\$ 820,014
Deferred income taxes	(365,727)
Net assets acquired	\$ <u>454,287</u>

Under the terms of the agreement further consideration is payable by the issuance of up to 5,000,000 shares on the basis of one share for each \$0.25 of net income from the technology determined by generally accepted accounting principles in Canada until December 31, 2000.

- b) During 1996, the company purchased computer equipment from a company which is controlled by a director of the Company for \$75,000. The equipment has been recorded at fair market value.
- c) During 1997, \$75,000 was paid to a company controlled by a director in connection with management services provided, of which \$30,000 has been included in deferred development costs and the remainder in general and administrative expenses.

NOTE 15 CONTINUING OBLIGATIONS

The aggregate minimum payment in each of the next five years for the Company's premises leases excluding occupancy costs, are as follows:

1998	\$ 68,332
1999	70,554
2000	78,147
2001	80,678
2002	<u>71,642</u>
	\$ <u>369,353</u>

The Company has agreed to pay a royalty equal to 6.5% of gross revenue of First Break Statics Inc. to the former shareholder under the terms of a contract ending August 31, 2001.

The Company has agreed to pay a company controlled by a director a royalty equal to 5% of revenues derived from certain geophysical software until March 31, 1999 and 3% thereafter.

The Company had agreed to pay a royalty to the former shareholder of Exploration Innovations Inc. based on monthly gross profit of that company of 10% on the first \$10,000, 5% between 10,001 and 16,667 and 2% on gross profit over 16,667.

Corporate Information

BOARD OF DIRECTORS

Dimitris Agouridis, President
Karima Kara, CMA Secretary and Director
Thomas E. Lewis, CA, Director
Laurie Wickwire, Director
Robert A. Halpin, Director

OFFICERS

Dimitris Agouridis, Chief Executive Officer
Karima Kara, Chief Financial Officer
Gary Baziuk, Chief Operating Officer, First Breaks Statics Inc.

LEGAL COUNSEL

Shea Nerland Calnan
1900, 715 – 5th Ave., SW
Calgary, AB

AUDITOR

Barr Shelley Stuart

STOCK EXCHANGE LISTING

The Alberta Stock Exchange
Symbol: SYN

REGISTRAR AND TRANSFER AGENT

The Montreal Trust Company of Canada
600, 530 – 8th Ave., SW
Calgary, AB

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